

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 0006

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION IAEA VIENNA

AMCONSUL MILAN

C O N F I D E N T I A L ROME 3625

E.O. 11652: GDS

TAGS: ENRG, ETRD, PFOR, EEC, CA, IT

SUBJECT: TRUDEAU VISIT TO ROME: ECONOMIC ISSUES

1. SUMMARY. CANADIAN PRIME MINISTER TRUDEAU'S DISCUSSION
OF ECONOMIC ISSUES WITH ITALIAN HOSTS CENTERED ON (A)
CANADIAN DESIRE FOR "CONTRACTUAL LINK" WITH EC AND
(B) ITALIAN INTEREST IN CANADIAN URANIUM. CANADIAN
CANDU REACTOR ALSO DISCUSSED. WHILE CANADA HAS GOI
MORAL SUPPORT FOR ITS EC ARRANGEMENT, ITALY'S DESIRES
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FOR CANADIAN URANIUM WILL BE UNSATISFIED UNTIL AFTER

ITALIAN RATIFICATION OF NPT AND SAFEGUARDS AGREEMENTS.
VISIT WELL COVERED IN ITALIAN PRESS BUT OCCASIONED ALMOST
NO RPT NO EDITORIAL COMMENT. END SUMMARY

2. CONTRACTUAL LINK. COUNCIL OF MINISTERS' PRESIDENT
MORO NOTED GOI SUPPORT "IN PRINCIPLE" FOR CANADIAN
DESIRE FOR CONTRACTUAL LINK WITH EC AND PLEDGED GOI SUPPORT
FOR EVENTUAL GOC REQUEST TO THE EC. MORO, HOWEVER, NOTED
THAT CONSIDERABLE CREATIVITY WOULD BE NECESSARY TO
FIND A SUITABLE FORMAT, GIVEN LACK OF PRECEDENTS AND
DESIRE NOT TO CREATE ANY. TRUDEAU MADE IT PLAIN THAT
CANADA MUST HAVE SOMETHING MORE THAN A COMMERCIAL
AGREEMENT. MORO EXPRESSED CONFIDENCE THAT A SUITABLE
ARRANGEMENT COULD BE DEFINED. MINISTRY FOREIGN AFFAIRS
(MFA) REPS WHO ATTENDED MEETINGS SAID BOTH SIDES CLEARLY
UNDERSTAND THAT PREFERENTIAL TREATMENT WITHIN CONTEXT OF
CONTRACTUAL LINK IS NEITHER DESIRABLE NOR POSSIBLE. COMMENT.
MFA DOES NOT UNDERESTIMATE DIFFICULTY OF FINDING SUITABLE
CONTRACTUAL ARRANGEMENT WHICH WOULD NOT CREATE UNDESIRABLE
PRECEDENT AND STILL SATISFY GOC DESIRE FOR SOMETHING MORE
THAN COMMERCIAL AGREEMENT. END COMMENT.

3. URANIUM SUPPLIES. MAJOR GOI ECONOMIC OBJECTIVE OF
TRUDEAU VISIT WAS CANADIAN AGREEMENT TO SUPPLY NATURAL
URANIUM FOR ITALY'S REACTOR PROGRAM. WHILE GOI PITCH
REPORTEDLY MUTED IN DEFERENCE TO CANADIAN SENSITIVITIES
ON ITALIAN NON-RATIFICATION OF NPT AND SAFEGUARDS
AGREEMENT, HIGH DEGREE OF ITALIAN INTEREST WAS MADE CLEAR.
CANADIANS PROMISED ONLY THAT SERIOUS CONSIDERATION
WOULD BE GIVEN TO ITALIAN REQUEST AFTER NPT AND
SAFEGUARDS AGREEMENT RATIFIED. COMMENT. NEGOTIATION
ON ITALIAN ACCESS TO CANADIAN URANIUM SUPPLIES WILL
UNDOUBTED ACCELERATE FOLLOWING GOI RATIFICATION. AMBITIOUS
GOI NUCLEAR ELECTRICITY PROGRAM REQUIRES RELATIVELY LARGE
SUPPLIES OF NATURAL URANIUM. END COMMENT.

4. CANDU REACTOR. TRUDEAU DISCUSSED POSSIBILITY OF
CANADIAN-DEVELOPED CANDU REACTOR SALE TO ITALY WITH
MINISTER INDUSTRY. DONAT CATTIN AND ENEL (STATE-OWNED ELEC-
TRICITY AGENCY) PRESIDENT ANGELINI. FOLLOWING VISIT,
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DONAT CATTIN ANNOUNCED TO PRESS THAT ITALY CONSIDERING
PURCHASE OF CANDU REACTOR. GOI INTERESTED IN LICENSING
ARRANGEMENT FOR CANDU DESIGN AND NEGOTIATIONS CURRENTLY
UNDERWAY WITH PROGETTAZIONI MECHANICH NUCLEARE OF
STATE-OWNED IRI GROUP. CANADIANS, HOWEVER, NOT KEEN ON
LICENSING ARRANGEMENTS IN COUNTRIES WHICH DO NOT HAVE OR
WILL NOT HAVE AT LEAST ONE CANDU REACTOR. CANADIAN
EMBASSY SOURCE CONFIDENT THAT CHANCES OF CANDU SALE

TO ITALY HAD BEEN IMPROVED BY TRUDEAU VISIT. COMMENT.
DESPITE UNDOUBTED ITALIAN INTEREST IN LICENSING ARRANGE-
MENT AND CONTINUING COLLABORATION WITH CANDU PROGRAM--
ITALO-CANADIAN JOINT VENTURE CURRENTLY BUILDING CANDU
REACTOR IN ARGENTINA--CLOSENESS OF ITALIAN LICENSING
TIES WITH US MANUFACTURERS, FINANCING PROBLEMS CONNECTED
WITH IMPLEMENTATION GOI REACTOR PROGRAM, AND ITALIAN
DESIRE FOR STANDARDIZATION OF REACTOR DESIGN MILITATE
AGAINST SALE OF CANDU FACILITY. END COMMENT.

5. OTHER TOPICS. TRUDEAU DISCUSSED POSSIBILITY OF
CONCLUDING DOUBLE-TAXATION TREATY. ITALIANS INVITED
CANADIAN FIRMS TO PARTICIPATE IN DEVELOPMENT OF
MEZZOGIORNO (SOUTH ITALY, SICILY AND SARDINIA), NOTING
THAT ITALY PURSUES OPEN POLICY TOWARD FOREIGN INVEST-
MENT AND THAT AT PRESENT THERE IS MORE ITALIAN INVEST-
MENT IN CANADA THAN VICE VERSA.

6. TRUDEAU INVITED MORO TO VISIT CANADA. MORO ACCEPTED
IN PRINCIPLE, BUT A SUITABLE DATE HAS NOT YET BEEN
ESTABLISHED. VOLPE

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